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REPORT

ON THE

FUR TRADE ACCOUNTS.

THE Account Books of the various Departments are made up for transmission to London at the following Depots, from the Accounts rendered by the Officers in charge of Districts, namely—

The NORTHERN DEPARTMENT Accounts at Fort Garry.	
„ SOUTHERN „ „ „ Moose Factory.	
„ MONTREAL, including Labrador „ Montreal.	
„ WESTERN DEPARTMENT „ Victoria B.C.	

The Furs and other Returns sent home for sale are assumed in these Accounts at valuations, regulated by the prices ruling in this market at the latest date known to the Officers. The valuations adopted in Outfits 1875 and 1876 were, owing to the subsequent fall in the market, in many cases higher than the prices which the returns of these Outfits realized; while the valuations adopted in Outfit 1877 were much lower than the prices at which the returns of that Outfit have recently been sold.

Before entering upon an examination of the District Accounts and of the Reports of the Officers in charge, to discover whether or not other causes besides the reduced valuations of Furs have contributed to the great decline in the amount of apparent profits, we should state that an examination of the Inventories has not shown us any tendency on the part of the Officers to over-value the assets in the Accounts, although in isolated instances an over-valuation may have occurred—(*Vide page 16 of Remarks on the Trade.*)

During the last five or six years, Fort Garry Depot has received the bulk of the supplies of goods for the Northern Department. Moose Factory has received the supplies of the Southern, Victoria those of the Western Department, and Montreal the supplies of the Montreal Department.

In the Western Department the goods at Inland Districts are valued at rates which include inland carriage and charges, and those incurred at the Victoria Depot.

At the other Depots, freight, duty, and charges, on the goods, are added to their cost; and a percentage is added in respect of the further charges for inland carriage of the goods to the different Districts. This percentage, of course, varies according to the distance from the Depot, the average being $17\frac{1}{2}$ per cent. upon the cost of goods landed at Fort Garry. In McKenzie River District this advance, to cover inland carriage, amounts to 45 per cent; in English River to 33; in Edmonton to 22; and in Manitoba, near Red River to $6\frac{1}{2}$ per cent.

In the Southern Department the average advance is $16\frac{1}{2}$ per cent. on cost of goods landed at Moose Factory, the highest being 35 per cent. for carriage of supplies to Kinogumisssee, and the lowest 5 per cent. on supplies to Albany.

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In the Montreal Department the average advance is 8½ per cent. on cost on goods at the Depot, the highest being 25 per cent. on the supplies of Abitibi, and the others at a lower rate.

A portion of the supplies for the Northern Department are sent by the Company's vessel to York Factory. Here the freight and duty, &c., are added to the cost of the goods intended for the trade of York Factory District and the Coast Posts, which are charged with a further advance of from 5 to 8 per cent. according to their distance from the Factory.

The total amounts added for inland transport in Outfit 1876, are as follows:—

Northern Department	\$65,000,	on goods valued at	\$377,000
Southern	"	8,800,	" " 41,000
Montreal	"	7,500,	" " 90,000
		<u>\$79,300</u>	<u>\$508,000</u>

The Inventories, besides the European, Canadian, and American goods, contain country-made articles, live stock, amounts expended on buildings, improvements, and outstanding debts.

We find that at the most of the Districts, Medicines, Stationery, and articles in daily use, as well as damaged and unsaleable goods, are enumerated, but not valued in the Inventories.

Deductions are made from the live stock of 33 per cent. in the more remote Districts where the cattle are exposed to considerable danger during the winter; in other Districts the deductions are not so great.

The cost of new buildings and such repairs as are valued, are spread over five years, 20 per cent. being written off in every year in usual cases.

With reference to the system of valuing outstanding debts, we have not found it to be either uniform or entirely satisfactory. Arbitrary percentages of deductions are applied in different Districts. In some cases three columns are introduced for good, doubtful, and bad debts. At Edmonton, the principle is as follows:—One-third is written off from the doubtful debts; the remainder, *i.e.*, two-thirds of the doubtful debts, are added to the total of the good debts; and one-third is then deducted from that total. It is impossible to understand the principle of this proceeding.

In McKenzie River and Athabasca, the Inventories contain only a few items classified as Outstanding Debts in respect of accounts with missionaries. If goods have been supplied to Indians, and therefore have been taken from the Inventory, they remain an asset of the Fur Trade; but they are not valued, and the Furs received in return for such advances would swell the profits of the ensuing year.

In Saskatchewan District, neither the bad nor the doubtful debts are valued at all, and one-half is written off from the good debts. In the Inventory of this District for Outfit 1875, no less a sum than \$16,000 has been deducted from the Inventory value on debts classified as good. This is clearly inadmissible; either the debts should be classified as doubtful, or so large a sum should not be deducted. Prior to 1874, the debts in the Saskatchewan District were not valued at all. In Outfit 1874 Freeman's Balances were for the first time valued upon Inventory at 50 per cent., and the same system appears to have been followed in subsequent Outfits, not only for Freeman's Balances but for other debts, a long list of which is given at the close of the Inventory of the Saskatchewan District.

The attention of the Chief Commissioner has been called to the matter, with the view of having it placed on a more satisfactory footing.

In an account called "Fort Garry Customers' Balances," the classification of the debts is set out as good, doubtful, and bad. One-half of the doubtful, and the whole of the bad debts are deducted from the total amount outstanding.

An important element in our enquiry has been to ascertain, whenever it was possible, the amount of goods traded in the various Districts during an Outfit. To arrive at this result we have adopted the following process, which is probably approximately correct. We have added to the Inventory amount of goods on hand transferred from the *previous* Outfit, the amount of goods sent out in the Outfit under examination, and then we deducted the amount of goods unexpended at the *close of the Outfit* as shown in the Inventories. We have thus been able to ascertain the amount of goods disposed of in each Outfit. The Returns for these goods are mainly represented by the Furs traded in the same Outfit, but we have in many cases to take into account the transfers or the value of goods supplied to other Districts, and the value of goods taken up by the servants, and, in some cases, sales of goods for cash.

As regards the Returns, we have been anxious to make a comparison between those of the last three Outfits, irrespectively of the rise and fall in prices. We have wished to estimate as far as possible *what amount of Furs has been traded in each Outfit against what amount of goods*. It was not possible without immense labour to apply the valuation price of one Outfit to *all* the items of the returns in the others. But for the Northern, Southern, and Montreal departments, we have taken the principal articles, for the three Outfits 1874, 1875, 1876, viz., Beaver, Marten, Mink, and Otter. The quantities in each Outfit have been calculated at the same prices, viz., at the prices of the last sales, and a comparison has thus been established.

The results thus obtained are, of course, not entirely accurate. In the first place because the unimportant Furs traded are omitted; in the next place, because in many cases the goods disposed of may not be represented by Furs at all. They have been occasionally disposed of with the view of keeping the Indians alive, without payment being obtained for them, and in other cases they appear to have been given as advances, which have not been valued. But the general features are clear, as bearing on the profit of the year: where a larger amount of goods has been disposed of, and no corresponding increase obtained in the Furs, the profits of the year are diminished *pro tanto*.

Statement showing the actual results of the Company's trade:—

DEPARTMENTS.	OUTFIT 1874.		OUTFIT 1875.		OUTFIT 1876.	
	Profit.	Loss.	Profit.	Loss.	Profit.	Loss.
	£	£	£	£	£	£
Northern	79,748		5,209		1,611	
Southern	21,320		18,017		7,168	
Montreal		1,000		4,522		4,812
Sandwich Bay	160			915		1,703
Western	17,069		6,011			2,663
	£117,700		£24,000		Loss ..	£300
<i>Loss—</i>						
London expenses and balances						
of ship's accounts	£19,800		£19,800			£17,513
Profit	£97,900		£4,168		Loss ..	£17,813

These results will be found to agree with the statements of the Fur Trade Accounts presented to the Shareholders.

Interest on the Capital employed in the trade is charged in Fur Trade Accounts, rendered to the officers in accordance with the provisions of the Deed Poll, as follows:—

Outfit 1874.	Outfit 1875.	Outfit 1876.
£47,021	£52,028	£53,383

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The Capital employed in each of the Departments can only be estimated approximately in consequence of the extensive transactions between the Depots, which are adjusted by the transfer of balances at the close of each Outfit. The charge for interest at 5 per cent. having exceeded £50,000, as already stated, the advances of the Company for carrying on the trade in Outfits 1875 and 1876 have amounted to more than one million sterling.

The amount of the various Inventories of goods on hand, the shipments and other advances have been taken into account in apportioning the charges for interest and London expenses, as follows :—

Northern Department	£38,000
Southern Department	6,000
Montreal Department	12,000
Western Department	14,000
	<u>£70,000</u>

The following are the actual results of the trade, after deducting London charges and interest on the capital employed in Outfits 1874, 1875 and 1876.

Outfit 1874, Profit	£117,700
London expenses	£19,800
Interest on Capital	47,021
	<u>66,821</u>
Net Profit	<u>£50,879</u>

Outfit 1875, Profit	£24,000
London expenses	£19,800
Interest on Capital	52,028
	<u>71,828</u>
Loss	<u>£47,828</u>

Outfit 1876, Loss	£300
London expenses	£17,513
Interest on Capital	53,383
	<u>70,896</u>
Loss	<u>£71,196</u>

The Valuations adopted in the Fur Trade Accounts during the last four Outfits have been as follows:

	Outfit 1874.	Outfit 1875.	Outfit 1876.	Outfit 1877.
Bear per skin	32/6	32/6	27/-	21/6
Beaver "	10/6	10/6	8/6	7/-
Buffalo Robes "	20/6	16/6	15/-	13/6
Fisher "	36/-	40/-	30/-	24/9
Fox Silver "	130/-	200/-	140/-	139/6
" Cross "	20/-	20/-	22/6	19/4
" Red "	7/6	7/6	6/-	5/6
" White "	7/6	6/-	4/9	3/11
Lynx "	9/9	10/-	7/2	6/7
Marten "	18/9	14/-	10/6	9/-
Mink "	9/-	5/-	5/-	3/11
Musquash "	8d.	8d.	6d.	4d.
Oil per ton	£29 10 0	£29 10 0	£29 10 0	£27 0 0
Otter per skin	25/-	25/-	16/-	14/10
Wolf "	10/-	10/-	12/-	10/9
Wolverine "	10/6	14/-	20/-	20/3
Salmon, salted per tierce	77/-	85/-	63/-	65/-
" preserved per lb.	6½d.	7½d.	6d.	7½d.

The following were the Average Prices of Furs, &c., at London Spring Sales, during the last Five years.

	1875. (Outfit 1873.)	1876. (Outfit 1874.)	1877. (Outfit 1875.)	1878. (Outfit 1876.)	1879. (Outfit 1877.)
Bear per skin	46/8	41/6	28/3	24/2	29/2
* Beaver "	13/8	11/10	9/6	7/9	12/6
Buffalo Robes "	37/-	35/-	20/-	15/-	17/-
Fisher "	56/6	57/8	37/2	28/7	40/-
Fox, Silver "	£15	£13 12 6	£8 5 2	£8 7 10	£11 11 8
" Cross "	49/6	45/5	28/11	22/6	31/6
" Red "	9/9	10/4	6/11	6/4	7/10
" White "	8/3	6/11	5/9	4/6	9/10
Lynx "	13/3	13/2	8/-	7/3	8/8
* Marten "	19/-	15/-	12 2	10/-	13/4
* Mink "	11/2	6/-	5/11	4/5	4/4
Musquash "	1/2	1/0½	8½d.	4¾d.	5¼d.
Oil per ton	£34 11 0	£33 5 0	£33 13 0	£30 9 0	£24
Otter per skin	33/-	27/8	19/3	17/-	25/-
Wolf "	14/6	16/6	15/7	12/2	9/-
Wolverine "	21/3	28/8	24/5	22/9	19/9
Salmon, salted per tierce	78/-	87/-	57/-	61/-	62/-
" preserved per lb.	6½d.	7½d.	7½d.	7¾d.	7¾d.

* Beaver, Marten, and Mink are the most important of the Company's Importations.

We now proceed to notice the general results of the trade of the different Departments, including the results of Outfit 1877, in so far as they can at present be ascertained.

WESTERN DEPARTMENT.

The annexed statements and figures, showing the results of the business for Outfits 1874, 1875 and 1876 in the Western Department, speak to a great extent for themselves, but it may be useful to call attention to some of the general results, and to add also the substance of the observations made by Mr. CHARLES, the officer in charge of the Department, in reporting on the results of Outfit 1877.

The inventory of the Department stood at about £93,000 at the close of Outfit 1874, and at £119,000 at the close of 1876. In most of the Departments, a very large addition to the amount of supplies sent from England was made in Outfit 1876. This was not the case in the Western Department. The amount sent in 1874 was £50,000. A large increase was made in the next Outfit, when the amount sent was £65,000; but in Outfit 1876 it was reduced again to £52,000. In 1877 the amount sent was £37,000.

Looking to the amount of the inventory during the last few years, and to the amount of goods shipped, &c., the capital absorbed by the Western Department has not been much less than £150,000; at times it has been more. It may be estimated that the annual charge for interest and London expenses to the Department would be £10,000. It is clear, therefore, that a sum less than £17,500 can scarcely be considered as a satisfactory result in normal or prosperous times, looking to the great risks of the trade.

In Outfit 1874 of which the Furs sold for moderately fair prices, though not equal to the prices realized for Outfit 1872, this result was nearly obtained, £17,000 having been the profit actually realised. In 1875 the profit was reduced to £6,000. In 1876 there was a loss of £2,600, although the country valuation had shown a gain of about £1,300. In Outfit 1877 the country valuations show a profit of about £2,000, but the rise in the price of Furs will, it is expected, increase the profit to about £6,000.

It is clear, on a summary of these figures, that for the last three years the trade of the Department, taking interest and charges into account, has not been profitable, and, that though in 1874 it gave a handsome profit, that profit did not amount to more than 10 per cent. on the capital employed, after paying its proportion of the London expenses.

The fact is, though the price of Furs is a matter of great importance to the Department, it is not everything, as will appear from the fact that the returns for the Department for Outfits 1875 and 1876 would only together reach £79,000, even at the valuation of Outfit 1874, while the goods sent from England for Outfits 1875 and 1876 amounted to £118,000. Large amounts of goods are sold at Victoria for cash and on credit, irrespective of the Fur trade. The profit on merchandise account at Victoria, after deducting the bad debts, may be stated in round figures as follows:—

Outfit 1874	£4,500
„ 1875	7,500
„ 1876	4,000
„ 1877	4,000

We presume, however, that these figures cannot be considered as net profits, as, besides interest on capital and shares of London expenses, they should probably bear some share of the loss on the Victoria Dépôt. The amount of the Sales has been from \$190,000 to \$210,000 during the last two Outfits, or in round numbers an average of £40,000, so that the profits, including amount due for interest, have been 10 per cent. Looking to the notorious depression of trade which has existed so long in Victoria, and to the fact that in Outfit 1875 the profit was £7,500, the results do not seem unsatisfactory. About £18,000 was included in the Inventory at the close of 1876, in respect of customers' debts due at Victoria. Should this amount be at all open to question as to realizing the full sum at which it stands, it would modify our view of the results of the business. On the other hand, we note with satisfaction that during a series of years the amount written off for bad debts has been small.

Before proceeding to remark on other portions of the business of the Department, we should mention that the following dead accounts are kept in Victoria :—

RETURNS OF TRADE.
VICTORIA DÉPÔT.
STORAGE ACCOUNT.
GENERAL CHARGES.

The explanation of these accounts will be found in the detailed statement further on. All represent charges in one form or another, or credit items for the storage of goods not belonging to the Company. The total charge resulting from these accounts is about £5,000.

Further, there are three other accounts to which the depreciation of buildings and repairs are charged, namely :—

VICTORIA WHARF.
ESQUIMAULT WHARF.
REPAIRS.

The total on these accounts amounts in round numbers to £2,000. In 1876 the amount was larger owing to some extra repairs.

From the above it will be seen that there are permanent charges amounting to £5,000 and £2,000, that is £7,000 in all, which have to be borne by the Fur trade or the general business; and in considering the profit on particular districts, or special branches of trade, it must be borne in mind that these charges have to be met.

There is one more account in Victoria itself, viz., "Furs purchased in Victoria." Though headed "Furs," this account includes all Returns, such as Oil, &c., purchased in Victoria. In 1874 when the prices were satisfactory, this account showed an adequate profit, viz., £4,500. In Outfit 1875 there was a small loss on this account, and on Outfit 1876 only £600 profit. The fact that in the latter Outfit there was a small profit, while in 1875 there was a loss, may be due to the possibility of communicating so quickly with Victoria, that tariffs can be much more rapidly modified there than in the distant Fur Districts.

But Furs do not always play an important part in this account. In Outfit 1877 there is an apparent profit of \$14,000 (£2,800), but Mr. CHARLES explains that it is mainly due to Oil, which article represents \$31,000 out of the total of the returns, which amount to \$44,000.

We now proceed to observe on the various other Districts in the Department. We have to make one general remark with regard to the Accounts of Districts, where Furs are traded, which does not apply specially to the Western Department, but to all Departments alike. The profits of a District clearly do not depend only on the quantity of Furs received, nor on the value of those Furs alone, but also on the amount and value of the goods traded against them. This appears almost a truism, but we have continually observed that officers congratulate themselves on having kept up or increased the returns, regardless of the fact that often the increase in the expenditure of goods to obtain them has been so much larger in proportion than the increase in the returns, that a much smaller profit is

realised, or possibly no profit at all. Similarly, officers give, as an explanation of a loss,—the reduced valuation of the Furs. So far as the reduction of the valuation has come on them *after* the Furs have been traded, and constitutes a reduction from the tariff prices, the explanation is adequate, but it is not adequate when a comparison is made simply with the valuations of the preceding year, if, in the interval, they have received instructions, or have themselves seen the necessity, to reduce the tariff. The only hope to avoid losses on Outfit 1877 was to trade less goods against the same amount of Furs than had been done for instance in Outfit 1875, and it is scarcely a sufficient explanation of a loss in a District to point to the lower valuations of Furs compared with preceding years, if, in the interval, a change in the tariff has taken place. The knowledge of the great fall in prices as compared with those realised in the spring of 1875 and 1876 must have reached most of the Districts in the Western Department before trading Furs for Outfit 1877, and consequently, much fewer goods should have been expended for the same amount of Furs, if loss was to be avoided. The continuance and apparently bottomless character of the fall doubtless made it extraordinarily difficult for the officers to do a remunerative business. Still, making every allowance for the distance of many Districts, we see less indication than we should have expected in the reports of officers of reductions in the tariff. A reduction in the quantity of returns evidently alarmed them more than a continuance of trade at tariffs which were too high. We also are inclined to doubt whether officers at the head of Departments watch with sufficient attention the amount and value of goods traded as compared with returns. It is clearly impossible to make an accurate calculation, but an approximate idea may be gained, and if in a comparison of several Outfits it appears that the value of goods traded is, after allowing for any reduction made in valuations after the acquisition of the Furs, larger in proportion to the returns than in previous years or in other Districts similarly placed, or even if they appear generally excessive in relation to the returns, immediate steps should be taken to enquire into the matter, notwithstanding that the result, of such a large expenditure of goods may be concealed by an eventual profit.

The unexpected rise in prices for Furs belonging to Outfit 1877 may give profit to districts which showed a loss in the country accounts, but the estimated loss should not on that account escape criticism, after making allowance for a reduction of valuations subsequent to the purchase of the returns. The latest letters speak of the probability of enhanced prices for Furs depriving us of the chance of obtaining a satisfactory quantity; but we have heard very little throughout the last two years of a decided and corresponding reduction in the cost of Furs to the Company.

The foregoing observations are illustrated in the case of several of the districts in the Western Department, on which we now proceed to remark.

FORT SIMPSON.

The amount traded in Outfit 1874 (exclusive of Sales) was	\$17,000,	Returns	\$14,000
" " " 1875	24,500	"	14,000
" " " 1876	18,900	"	9,000

It will be seen that in Outfit 1875, \$7,500 more goods were given for Furs valued at the same amount. The scale of valuation, it is true, was lower than in 1874. Valued at the same tariff the returns of Outfit 1875 would have amounted to about \$16,000; but still the increase in the amount traded against the Furs seems enormous, indicating that a wrong system was being pursued, and in the following Outfit when \$18,900 were traded for returns valued at \$9,000, things had become much worse. The reduction in the valuation accounts but for a small proportion of the very heavy loss which necessarily ensued.

Mr. CHARLES reported on the mismanagement of this post, which had caused him the gravest anxiety. He sent a special officer to put things straight, but on the departure of the latter, the instructions as to prices seem to have been disobeyed. We do not blame Mr. CHARLES, who seems to have taken the best steps he could, but it is very regrettable that

in this as in other posts, it takes so long a time before mistakes can be rectified, and loss avoided. Several incidents of this kind have most seriously affected the results of the trade of the Western Department, irrespective of unavoidable misfortunes.

The remarks we have made on Fort Simpson apply with increased force to the District of Skeena.

SKEENA.

Here the amount of goods traded, after deducting sales, was :—

In Outfit 1874	..	..	..	\$15,250	and Returns	\$11,500
" 1875	..	..	..	19,000	"	10,000
" 1876	..	..	..	17,000	"	7,000

The disproportion in the amount of goods traded to returns here, goes as far back as Outfit 1874, and it is not surprising that even in that Outfit, with fair prices, no profit was made. But we particularly regret to see that the mismanagement continued for no less than three years. Mr. CHARLES wrote of Skeena as he wrote of Fort Simpson. It was visited by an officer specially deputed, but no amendment ensued. The Post is now closed with a further loss of \$1,649. It has caused a loss of \$16,000 to the Fur Trade since 1874, not to speak of the loss of interest.

The next Posts to which we have to refer happily give a different result, and we call attention to the fact how even in Outfit 1876 on reduced valuations, the Returns bear a good proportion to the goods traded.

The figures of Bella Coola and Bella Bella are as follows :—

BELLA COOLA.

Goods traded.	Outfit 1874	..	\$3,588	Returns	..	\$7,419
" "	" 1875	..	3,220	"	..	4,228
" "	" 1876	..	2,553	"	..	4,314

BELLA BELLA.

Goods traded.	Outfit 1874	..	\$2,134	Returns	..	\$4,131
" "	" 1875	..	1,384	"	..	1,758
" "	" 1876	..	1,244	"	..	2,159

These Posts, as might be gathered from these figures, give a profit in every Outfit.

MASSETT.

At Massett, in Queen Charlotte Island, the figures are as follows :—

Outfit 1874	..	..	Goods traded	\$9,089	Returns	\$11,491
" 1875	..	..	"	11,228	"	9,790
" 1876	..	..	"	12,845	"	11,696

The results have not been satisfactory. Though an amount of goods valued at \$33,000 has been traded in the three Outfits, the profits were very small. But it is explained that the trade in this Island has been carried on under exceptionally difficult circumstances for which the officers in charge could not be held responsible. At this Post the Company occasionally trade Fur Seals. Inclement weather interfered with seal-fishing, but it will be seen in the more

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detailed statement that the sealskins were undervalued in Outfit 1876, as the prices realised by the returns reached a considerably higher figure than that at which they were valued in the Country Accounts.

The trade of 1877 has been very satisfactory at this Post. At the beginning of the Outfit it had—

Goods on hand	\$8,190
„ were supplied	3,223
	<u>\$11,413</u>
Sales were made to the amount of	\$1,400
	<u>Leaving \$10,012</u>
At the end of Outfit 1877 the inventory amounted to	\$8,100
	<u>Leaving for the Fur Trade \$1,900</u>

Against this amount Furs were sent valued at nearly \$6,000 (actually worth more), with an apparent profit of \$3,882.

FORT LANGLEY.

Nothing need be said on the small Post of Fort Langley of which the transactions appear to be very limited. The profit has not been more than \$500 for Outfits 1875 and 1876. In Outfit 1877 the profit has been \$1,000. The Fur trade is of little consequence at this Post. The profit arises from the sale of Hay from the Farm, &c.

FORT HOPE.

Fort Hope is also a small Post giving in each Outfit a very small profit. Its object is like that at Fort Yale—to afford facilities for transporting goods to Inland Districts.

FORT YALE.

But Fort Yale has shown a progressive profit notwithstanding all fluctuations in price.

The profits have been in Outfit 1874	\$1,494
„ „ „ 1875	2,703
„ „ „ 1876	3,218

and the Accounts just received show a profit of \$3,267 for Outfit 1877. The profit must be made on the sales of goods, as the returns from this Post are quite unimportant. Mr. CHARLES says, in reporting on the results of Outfit 1877, "Fort Yale shows some little improvement, notwithstanding the general depression." But we should like to understand more fully how the profits are made, for the Annual Sales, exclusive of transport, seem not to exceed \$3,000 or \$4,000, on which it cannot be assumed that the profits stated above are made. The question arises—are the profits calculated in the transfers?

NEW CALEDONIA.

New Caledonia is one of the more important Fur Districts in the Western Department. The goods traded average some \$36,000 per annum, and the returns on the country valuation about \$40,000. The profits have been steadily decreasing.

In Outfit 1874 they were	\$13,300
„ 1875	1,500
„ 1876	Loss 5,100

on the country valuations. The whole difference is not accounted for by the lower valuation of Fur. Mr. CHARLES reported previously, as stated in the Accounts given further on, that

certain changes in the management should be carried out, but in reporting on Outfit 1877, when the loss on the country valuations is \$6,000, he makes some remarks which we give in full, as they aptly illustrate some of the difficulties in reducing the tariff.

The loss is to be accounted for as follows:—

"New Caledonia is exclusively a Fur District. There has been an unprecedented succession of bad years—not as regards the quantities of Furs obtained, but in their proceeds in the London market. The Fur Tariff, unfortunately, has had to be reduced very materially year after year in consequence of this continued decline, while the trade of each year was almost over before the necessity of further reducing the Tariff, and the extent of such reduction, could ever be made known at the several remote outposts of New Caledonia. Even then the difficulty did not cease, nor could the remedy be fully applied with advantage, because of the extreme unwillingness of the Indians to submit to repeated reductions in the price of their Furs, and the suspicions raised in their minds by such repetitions. In many cases, rather than yield to what they consider an imposition, they will go with their Furs to Quesnel, Port Essington on Skeena River, Fort Simpson, or elsewhere, making no account of the time lost in travelling. But, now that Furs have begun to rise in value, it may reasonably be expected that New Caledonia will show a greatly improved result in future."

New Caledonia has been most unfortunate during the last few years. A few years back it was the best Fur District in the Western Department, the Country Accounts showing a profit of £3,000 and more. There has been a great scarcity of food in the District, and the Indians have suffered very much. At times they have not been able to hunt, and at other times the weather has been unfavourable for hunting; but there is no reason to suppose that the Furs are less numerous than formerly, though doubtless the Indians expect more for them.

THOMPSON'S RIVER.

The District of Thompson's River appears to have given unsatisfactory results for some time past. Few Furs are traded here, but the business has not been unimportant, as the Inventory has amounted to nearly \$25,000, and the amount of goods supplied from \$13,000 to \$15,000. It may be said that the Capital employed is \$40,000. On this the apparent profits have been in—

Outfit 1874	\$3,940
" 1875	3,900
" 1876	3,200

decidedly not a satisfactory profit either looking to the Capital or the risk, for there was at one time \$7,400 outstanding for debts. But in Outfit 1877 the result was very much worse. There was a loss of \$5,600. Of this, \$5,000 was written off in respect of an adventure in sending horses to Edmonton, which is of course quite an exceptional circumstance; but even then the district has ceased to show the moderate profit which it showed before. We again give Mr. CHARLES' own description of the state of things:—

"The Fur Trade of the District has fallen off greatly, and the other trade has for some years past been monopolised, through political connections, by the firm of MARA AND WILSON, of Kamloops. The settlement there is, however, a rising one, and the whole district cannot fail to be benefited by the Central Pacific Railway, if carried through it, as seems to be the intention at present."

This district evidently requires watching. The Inventory was very large compared with the annual supplies, and any accumulation of debts here might lead to further losses. The business consists in supplying goods to those proceeding to the Mining Districts.

STEKINE DISTRICT.

We have still to deal with two mining districts—the Cariboo Mining District and the Stekine District, the latter of which has been closed in the course of Outfit 1877, with a loss of no less than \$13,000. The Inventory in Stekine District at the close of 1874 was only \$3,400; then the business was greatly expanded, and, at the end of 1876, the Inventory amounted to \$38,000. The goods sent to the district amount, for Outfits 1874, 1875 and 1876, to \$75,000, or, on an average, \$25,000 per year. The annual average profit was little more than \$3,000, while \$60,000 capital was at one time engaged. The risky and unsatisfactory nature of the business led to the closing of the Post; and the cost of doing it has more than absorbed the whole of the profits since 1874, to say nothing of the heavy loss of interest during the last four years. It is difficult to understand how, looking to the fact that goods were being sold to miners, business yielding such a very poor return should have been so long continued.

CARIBOO DISTRICT.

The experience of the Stekine District makes us rather anxious as to the Cariboo Mining District, though the profits there have been somewhat more satisfactory. The Inventory at the close of Outfit 1876 was not less than \$60,000. The goods sent have also been of very considerable amount, viz. :—

Outfit 1874	\$43,000
.. 1875	80,000
.. 1876	54,000
	<u>\$177,000</u>

Or \$59,000 per annum.

The profits have been in—

Outfit 1874	\$16,600
.. 1875	13,900
.. 1876	12,700
.. 1877	11,600

There is therefore a gradual decline, and there are some outstanding debts.

Mr. CHARLES writes as follows in his last Report :—

“ The business at Quesnel has fallen off very perceptibly, and at the same time there has been increased competition for Furs there. It is much to be regretted that the prospects of increased business through quartz crushing operations, which were so cheering in the spring, have since disappeared, with the discovery that the quartz then relied on was entirely over-estimated; but better discoveries may yet be made, as several parties who are confident that there must be rich quartz in Cariboo still persevere in the search.”

We have still to comment on the results of the steamers belonging to this Department—the “Enterprise” and the “Otter.”

STEAMER “ENTERPRISE.”

With regard to the former, the information is so fully before the Committee that we need say little.

The profits have been—

Outfit 1874	\$22,674
.. 1875	22,181
.. 1876	15,468
.. 1877	22,503

We regret, however, to be obliged to add, that writing on the 10th October, 1878, Mr. CHARLES reports diminished earnings for Outfit 1878. At the end of September, the earnings had been only \$30,000, against \$37,000 in 1877, and \$32,000 in 1876. It is too soon, however, to be able to judge of the effects of placing the new Steamer on the line.

STEAMER "OTTER."

As regards the "Otter" the state of things is far from satisfactory. The profits have been—

Outfit 1874	.. .. .	\$4,325
" 1875	.. .. .	678
" 1876	.. .. .	352

While in Outfit 1877 there has been a loss of \$4,059. Mr. CHARLES writes:—

"The apparent loss is represented by the year's Insurance \$1,838.75, and reduction of 'Inventory valuation \$3,000. On the northern route the Steamers 'California' and 'Grappler' have continued to run regularly, while there has been but little increase of 'traffic, and had it not been for the opportunity the 'Otter' has had for making trips to 'New Westminster, her loss would have been even greater."

Having commented on most of the various branches of trade of the Department, we wish to conclude with a few observations on the general aspect of the trade, separating exceptional drawbacks. For Outfit 1877 the broad results, as shown by the Country Accounts, may be summarized as follows:—

	Profits.
Gain on Merchandise after deducting bad debts, about	£4,000
Profits on Furs and Oil purchased at Victoria	2,800
Profits on Posts—	
Fort Rupert	\$1,000
" Simpson	600
Bella Coola }	1,100
Bella Bella {	
Massett	3,900
Langley	1,000
Fort Hope	500
Fort Yale	3,300
	\$11,400
Less ordinary loss on Thompson's River	600
	\$10,800 say £2,100
Profit on Cariboo District	2,300
Profit on steamer "Enterprise."	4,500
	£15,700
Deduct Charges and Repairs	£7,000
" Loss on New Caledonia	1,200
" " " steamer "Otter"	800
	9,000
	£6,700
Exceptional losses -	
On despatch of Horses from Thompson's River	£1,000
A loss on Servants' Account	500
On closing Districts -	
Skeena }	3,200
Stokino {	
Comox }	4,700
	£2,000

but the rise in prices will probably bring up the profit to about £6,000, a portion of which will be held over till next year to meet charges on account of the Northern Department.

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But for the exceptional circumstance of closing the Posts, and the loss on the horses, the profit would have been between £11,000 and £12,000, including £4,000 on the Steamer "Enterprise."

Mr. CHARLES writes as follows on the general results :—

"The apparent gain as shown by the Result of Trade, forwarded on the 10th ultimo, is only \$9,953, after having paid or provided as usual for Freight, Insurance, depreciation or wear and tear of Steamers, annual liquidation, charge on certain premises, and other charges on the Trade, including repairs and improvements, not valued on Inventory."

"One satisfactory feature is, that the gross amount of profits realised for the Outfit, is considerably in excess of that of the preceding Outfit, as well as of 1873, and not far short of that for 1875, while several accounts or districts that yielded profits in all or either of those years (among which may be enumerated Comox Post, Thompson's River District, New Caledonia, Stokine, Servants, &c.), are on the side of loss in 1877, and are so from special or exceptional causes. Thus, as already explained, more particularly in paragraphs 11, 14, 18, 20, 25, 26 and 33, the gross amount of loss sustained in 1877 is unusually high, exceeding as it does that of any Outfit since 1870. But it is a satisfaction to know that some, at least, of those sources of loss will not again be in operation, and to have reasonable grounds for believing that a rise in the value of Furs will soon convert others into sources of profit as heretofore."

We trust, with Mr. CHARLES, that the losses indicated may really be regarded as exceptional, and that we need not fear the recurrence of a similar unfortunate coincidence, of at least four Posts showing mismanagement extending over a course of years. The Stikine District, Skeena, and Comox Post have been closed. Fort Simpson shows some little improvement, but Thompson's River and New Caledonia are calculated to inspire anxiety. The Cariboo Mining District also requires to be most carefully watched, while the profits of our Steamers must also be looked to, as contributing very largely to the profitable side of the Accounts hitherto.

The Department has sent home in Outfit 1877, rather more than £12,000 beyond what it took from home on the country valuations. As the returns will realize more than their valuation, the excess remitted home is proportionately greater.

An Analysis of the transactions of the trade of the Western Department for Outfits 1874, 1875 and 1876 will be found at page 40.

NORTHERN DEPARTMENT.

Abstract of the Inventories at the close of Outfits 1876 and 1877:—

	Outfit 1876.	Outfit 1877.
General Goods.. .. .	\$877,560	\$791,987
Canadian and American Goods	122,476	113,541
Country-made Articles	29,031	20,645
Country Produce	83,360	157,393
Live Stock	58,527	51,032
Outstanding Debts	162,609	116,279
Cash	31,086	41,731
Advances for next Outfit	339,806	183,381
Repairs and Improvements	36,653	35,258
Freight	3,093	1,451
Articles at fixed prices	3,215	3,410
Ships and Steamers	122,210	196,518
	<u>\$1,869,626</u>	<u>\$1,711,634</u>

The reduction in the amount of these Inventories is \$158,000 = £31,600. The decrease is greater in the amount of the advances for next Outfit than in any of the other items in the foregoing abstract. It will be observed that while the Inventories of general American and Canadian goods and outstanding debts have been considerably reduced, a large increase has taken place in the amount of country produce, which has been procured either in payments of outstanding debts, or paid for in goods.

The following may be quoted as some instances of increases in country produce:—

In McKenzie's River District there is an increase of \$5,000 at the close of Outfit 1877, owing to the general scarcity of food in this District, and the consequent necessity of having more flour on hand than formerly.

In English River District the large increase of \$8,000 is represented by flour and pemican on hand in the District. These articles are required in the District to carry on the trade, and also to assist the spring transport to Portage La Loche.

Cumberland District had an increased stock of flour, pemican, and steamboat wood on hand at the close of Outfit 1877, the increase being valued at \$3,000. And at the Red River outposts, the amount of country produce in hand was much greater than at the close of former Outfits, in consequence of the increased trade in wheat, and payments of outstanding debts being frequently made by farmers and others delivering their produce to the Company.

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A large reduction has been made in the amount of outstanding debts since 1874, when the total amount in the Northern Department stood at \$218,600.

At the close of Outfit 1875, the amount was	..	..	..	\$194,000
" 1876, "	..	..	..	162,000
" 1877, "	..	..	..	116,279

The reduction has apparently been brought about mainly by writing off, but the Committee have not received adequate explanations on this subject.

The following is a list of the principal amounts of the outstanding debts:—

	Outfit 1874.	Outfit 1875.	Outfit 1876.	Outfit 1877.
Edmonton	\$11,795	\$26,638	\$11,247	\$ 9,385
Saskatchewan	23,398	38,338	29,700	22,712
Swan River	28,020	11,767	4,032	3,838
Lac la Pluie	1,731	7,249	2,570	1,467
Portage la Prairie	18,949	10,553	6,053	3,215
Lower Fort Garry	7,246	5,648	2,977	4,056
St. Anne's	5,631	6,133	3,425	7,418
Georgetown	31,156	15,590	8,351	4,769
Customers'	62,765	46,685	45,355	9,921
Outstanding Freights	12,151	6,847	5,477	4,294

In Outfit 1876, the valuation of Selkirk Mills was included in the list of outstanding debts at Fort Garry, under the head of "Customers," but the purchaser of the Mills having failed to complete his bargain the property has reverted to the Company, and the valuation of the Mills (\$16,800) appears separately upon Inventory.

The losses sustained at Fort Garry during the last four Outfits, in consequence of bad debts, have been as follows:—

Outfit 1874, loss	..	..	..	..	..	..	\$8,388
" 1875, "	..	..	..	..	..	..	9,932
" 1876, "	..	..	..	..	..	..	4,837
" 1877, "	..	..	..	..	..	..	3,612
Total	..	..	..	..	..	..	\$26,769

Under the head of "Ships, &c.," there has been an increase of \$74,000 in Outfit 1877, in consequence of the valuations of the steamer "Lily," the Grand Rapid Tramway, and the road to Athabasca Landing, being placed under that head for the first time.

The following is a comparative statement of the Inventories of goods, &c. in hand at the various Districts of the Northern Department, at the close of Outfits 1876 and 1877:—

DISTRICTS.	1876.	1877.
Athabasca	\$78,177	\$105,453
McKenzie's River	15,841	39,973
English River	28,951	44,736
Cumberland	43,762	51,198
Grand Rapid .. .. .	..	11,079
Edmonton	133,443	127,313
Saskatchewan	156,644	169,769
Carried forward	\$156,718	\$549,521

	Brought forward ..	\$466,718	..	\$549,521
Swan River .. .. .	..	55,681	..	43,534
Manitoba .. .. .	..	23,990	..	24,046
Lac la Pluie .. .. .	..	43,282	..	32,839
Norway House .. .. .	..	39,456	..	42,078
Island Lake .. .. .	..	16,810	..	13,901
Severn .. .. .	..	2,005	..	2,454
Trout Lake .. .. .	..	2,737	..	3,544
Churchill .. .. .	..	5,066	..	7,801
York Factory .. .. .	..	143,214	..	123,637
Portage la Prairie .. .. .	..	45,485	..	28,689
Poplar Point .. .. .	..	30,902	..	12,580
White Horse Plains .. .. .	..	22,156	..	10,290
Georgetown .. .. .	..	22,555	..	15,592
Pembina .. .. .	..	38,244	..	24,379
St. Anne's .. .. .	..	31,592	..	26,449
Fort Alexander .. .. .	..	7,876	..	11,756
Lower Fort Garry .. .. .	..	56,088	..	44,845
Merchandise Account .. .. .	..	71,407	..	73,282
Fort Garry Depot .. .. .	..	201,311	..	207,710
Customers' .. .. .	..	45,335	..	9,921
Northern Department—Cash .. .. .	..	24,450	..	30,749
St. Paul's Agency .. .. .	..	28,175	..	31,060
Steamer "Colville" .. .. .	..	37,382	..	31,774
" "Lily" .. .. .	..	1,609	..	42,637
" "Northcote" .. .. .	..	38,049	..	32,341
Monthly Labour	Cr.	677	.. Cr.	466
Repairs and Improvements .. .. .	..	5,257	..	8,046
Portage la Loche Transport .. .. .	..	1,413	..	1,700
Northern Department—Advances	Cr.	109	.. Cr.	272
Dwelling House at Fort Garry .. .. .	..	7,199	..	5,214
Grand Rapid Tramway .. .. .	..	430	..	21,708
Outstanding Freight .. .. .	..	5,477	..	4,294
Red River Steamboat Stock .. .. .	..	24,327	..	24,327
New Offices .. .. .	..	11,725	..	10,641
Steam Grist Mill .. .. .	..	..	..	16,803
Road to Athabasca Landing .. .. .	..	..	..	6,964
Outfit, 1877, 1878 .. .. .	..	331,251	..	131,470
" 1879 .. .. .	..	..	..	2,417
Montreal Department .. .. .	..	742	..	..
		<hr/>		<hr/>
		\$1,878,626		\$1,711,634
		<hr/>		<hr/>

The supplies from England for the Northern Department in Outfit 1877 amounted to £59,377, which is £85,000 less than the amount of goods sent out in Outfit 1876.

The amount of goods supplied by the Depot to the various Districts in Outfit 1877 was about £106,000 less than in Outfit 1876, while at the close of Outfit 1877 the Inventories show a reduction of only £32,000. It follows that the expenditure of goods in the various Districts has been reduced. At the country valuations the Returns of Outfit 1876 amounted to \$597,000 against \$490,000 in Outfit 1877. The latter, if valued at the prices of 1876, would be about \$560,000, and if at the prices of the last sales \$730,000.

Bills drawn on the Company on account of the Northern Department for Outfit 1877 amounted to £5,274 5s., as compared with £30,116 in 1876.

The result of the trade is exhibited in the following statement, the Returns being valued in the country at 10 per cent. below the prices realised at the spring sales of 1878—

	Returns.	Profit.	Loss.
McKenzie River District	\$61,272	..	\$900
Athabasca	74,332	\$4,213	..
English River	19,313	3,626	..
Norway House	29,248	..	19,525
Edmonton	44,026	..	1,440
Saskatchewan	23,646	43,102	..
Cumberland	44,237	..	4,785
Swan River	31,656	12,335	..
Lac la Pluie	28,927	..	4,309
Manitoba	13,304	225	..
Grand Rapids	743	6,862	..
York Factory	5,917	..	10,952
Churchhill	8,289	5,203	..
Severn	3,514	493	..
Island Lake	16,593	..	3,294
Trout Lake	8,505	2,723	..
Portage la Prairie	6,249	16,085	..
Poplar Point .. .. .	..	..	2,824
White Horse Plains	367	1,888	..
Georgetown .. .. .	..	..	744
Pembina	2,244	1,994	..
St. Anne's	61	1,484	..
Lower Fort Garry	3,054	3,830	..
Port Alexander	5,877	1,915	..
Dépôt .. .. .	..	..	36,405
Merchandise Account .. .. .	..	13,681	..
Customers' (bad debts) .. .. .	..	..	3,612
Furs Purchased	59,392	..	2,921
Returns of Trade .. .. .	..	..	10,481
Repairs and Improvements .. .. .	..	..	1,051
Red River Steamers .. .. .	..	31,068	..
General Charges .. .. .	..	..	13,704
	\$490,759	\$31,072—Apparent Profits.	

Nearly 50 % may be added to the valuations of the Returns given in the foregoing statement, as an estimate of the sale of these Returns.

The increase thus shown will affect to the same extent the amount of Profit and Loss of the various Districts.

In Outfit 1877, the Northern Department will probably realize profits amounting to about £46,000, as compared with £1,611 in Outfit 1876, £5,209 in Outfit 1875, and £79,748 in Outfit 1874.

The present accounts have been affected adversely by a scarcity of food in McKenzie's River, Athabasca and York Factory Districts, by the mildness of the winter of 1877-78, and by the low state of the rivers which retarded freighting operations and added to the expenses incurred in connection therewith.

It will be observed that the Saskatchewan District shows a large increase of apparent profits as compared with former Outfits. The improvement is due to larger sales of goods having been made to the Government, the amount for Outfit 1877 being \$35,000. The profit

has also been increased by the collection of outstanding debts, payments having been made in flour and other produce, and about \$6,900 profit arises from an alteration in the mode of valuing the debts, which are now placed at their estimated value, instead of being, as formerly, valued at 50 per cent.

It appears also that a percentage of profit has been derived by this District on transfers of products to other Districts.

The Districts of Norway House, Cumberland, Lac La Pluie, and York Factory may be noticed as showing unsatisfactory results.

The apparent profit of *Norway House District* last year was \$1,712. The same District now shows an apparent loss of \$19,523.

The attention of the Chief Commissioner has been directed to the following summary of *Norway House District* for the last two Outfits:—

De.	Outfit 1876.	Outfit 1877.
Inventory	\$46,443	\$39,456
Supplies furnished	54,599	69,682
Transport	4,295	2,256
Wages	6,712	7,351
Sundries	230	26
	<u>\$112,282</u>	
Profit	1,712	
	<u>\$113,995</u>	<u>\$118,772</u>
Ca.	Outfit 1876.	Outfit 1877.
By Furs traded	\$14,155	\$29,416
„ Servants Book Debts	5,533	5,472
„ Supplies to Districts	18,697	13,387
„ Sales to Government, etc., etc.	5,316	8,259
„ Sundries	837	633
Inventory	39,456	42,078
		<u>99,247</u>
Loss		19,525
	<u>\$113,995</u>	<u>\$118,772</u>

The Returns of Outfit 1877 valued at the tariff of 1876 amount to \$34,548, or an increase of about \$5,000, by which the apparent loss would be reduced.

From the foregoing figures it will be seen that—

In Outfit 1876 the goods traded were	\$66,000
Transfers and Sales	24,000
Leaving for Fur Trade	<u>\$12,000</u>
In Outfit 1877, goods traded were	\$67,050
Sales and Transfers	21,646
Leaving for Fur Trade	<u>\$15,401</u>

which produced \$10,000 worth less Furs than \$42,000 did in Outfit 1876.

Mr. Ross, in his Report dated *Norway House*, called attention to the mildness of the winter of 1877, to the partial failure of the Spring Hunts at Nelson's River Post, and to an improvement which took place at Berens River and Grand Rapid's Posts. He added "the expenditure of the Outfit was fully one quarter less than that of the previous Outfit, a reduced trading tariff and diminished advances to the Indians having effected the reductions which will now steadily continue to be effected in all branches of the business from year to year. The sales at the Indian payments in the District netted \$6,000, over three-fourths of the entire amount paid out by the Government, besides \$1,000 realised by furnishing provisions."

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The sales actually amounted to over \$8,000 and must have produced profits, and notwithstanding the statement of the officer in charge to the effect that Indian advances and tariffs in the District were reduced, the Accounts exhibit an extraordinary amount of loss. The figures already quoted do not bear out Mr. Ross's statement regarding the reduction in the expenditure of goods for Outfit 1877, but it is quite possible that some mistake in the Accounts has been made. In any case it is necessary that a full investigation into the matter should take place with as little delay as possible.

In his Report dated June, 1878, the Officer in charge of *Cumberland District* stated that opposition traders named Stobart & Co. had established themselves in the lower part of the District and had, by a great increase of tariff rates, secured a considerable portion of the returns, and increased the expenses of the Company; he added that "the reduction of our tariff and our endeavours to put a stop to the old debt system, had without doubt gone a great way to help them to secure so large a quantity of Fur, and although I recognise the necessity of reducing the tariff I greatly fear that further reductions would reduce our returns and increase those of our opponents."

The Officer in charge of *Lac La Pluie* in his Report on the Trade of the District, states that in consequence of mildness of the weather and the absence of snow, the Indians could not do justice to the trapping of Furs, nor could he send runners out to visit them. He added, "it must be borne in mind that we have had several parties of petty traders to contend against, one of whom was as well supplied with a choice lot of trading goods as we were, and as a matter of course a great many skins were pushed up by him." The Cash Sales were \$9,359. The supplies to Lac La Pluie District were reduced from \$53,000 in Outfit 1876, to \$22,000 in Outfit 1877, and the Officer in charge had closed the posts at North West Angle and English River, which had been found unprofitable.

In *York Factory District* the scarcity of provisions again affected the trade and hunts on the coast. Mr. Fortesque, the Officer in charge, stated in his report that every effort was being made with the view of reducing expenses at the factory as much as possible. The Inventories of Goods on hand show a reduction of \$20,000 as compared with those of Outfit 1876.

In Outfit 1875 the *Depot Account* at Fort Garry showed a loss of \$55,333. *Merchandise Account* showed a profit of \$66,935. After writing off from this account the loss on the Depot, the balance remaining as profit was \$11,602.

In Outfit 1876 the *Depot* only showed a loss of \$3,055, and *Merchandise Account* appeared in the balance sheet with a profit of \$56,326 or \$53,271, after deducting the loss on the Depot.

In Outfit 1877 the *Depot Account* at Fort Garry appears with a loss of \$36,405, and the profit on *Merchandise Account* is only \$13,681, leaving a loss of \$12,724 as compared with a profit of \$53,271 in Outfit 1876, the difference being no less than \$73,000, in respect of which the Governor and Committee have not received any explanations.

Merchandise Account in Outfit 1876 was credited with the proceeds of the sales of goods as follows:—

Cash	\$117,552
Credit or Customers	104,942
	<hr/>
	\$222,494
as against in Outfit 1877,	
Cash	\$90,804
Credit	84,642
	<hr/>
	\$175,446

showing a falling off in the amount of business to the extent of \$57,000. We have no means of ascertaining here the average percentage of profit on these sales, but the falling off in the

amount of the business does not account for the great reduction of profits stated in the balance sheet. Upon this point the Chief Commissioner has been requested to obtain and communicate, for the information of the Board, full explanations.

The *Depot Account* is even more unsatisfactory than that of merchandise, and shows that the system pursued at Fort Garry requires alteration. The total amount of the Depot transactions in Outfit 1876 reached the sum of \$1,364,794, of which supplies to the various Districts amounted to \$1,144,748; while in Outfit 1877 the transactions were \$877,993, and the supplies to Districts \$613,820. A portion of the latter amount consisted of additional advances of 24 per cent. on English invoices to cover packing charges, the bulk of the amount being for supplies during the Outfit, with freight, duty, and charges added, but of which no details have been furnished. The Depot Account is charged with \$80,588 for customs' duties, with freight and other charges on the supplies, and there is an amount of \$20,217 at the debit of the account for "*Bills paid in London this Outfit on account of Fort Garry Depot.*" No corresponding entry can be found in the Depot Account for Outfit 1876, and we can find no trace of any entry on the credit side of the account whereby the outlay would be charged to different Districts; and as freight and duties appear separately, we are unable to explain the nature of the charge against which the bills were drawn.

This matter requires explanation and it is also necessary that explanations should be made why the charges against the Depot have been increased during the past Outfit. The following are some of the items:—

	Outfit 1876.	Outfit 1877.
Fort Garry, H. B. Mess	\$3,860	\$5,595
Mr. J. H. McTavish's Mess .. .. .	..	1,168
J. Anderson	530	526
Men's Rations	3,080	2,746
Expenses	2,296	3,590
Offices, etc.	1,679	1,082
	<u>\$11,445</u>	<u>\$14,707</u>

showing an increase of \$3,000, notwithstanding the reduced amount of the Depot transactions in Outfit 1877 as compared with 1876. There is also an increased charge of \$1,400 on Servants' Accounts, connected with the Depot, the amounts being \$10,532 in 1876 and \$11,958 in Outfit 1877.

These increases in the expenditure are inexplicable when we see the amount of supplies furnished to the Department in 1876 put down at \$588,844 as against \$109,605 in Outfit 1877. Surely the labour and expense in connection with less than one-half the quantity of goods should be reduced and not increased, as stated in the present unsatisfactory account.

In a recent letter, the Chief Commissioner directed attention to the unfitness of the Company's shop and warehouses at Fort Garry for the kind of trade now carried on there, and the fact that the Town of Winnipeg had been extended in an easterly direction from Fort Garry. Looking to the results of the Merchandise and Depot Account for the past Outfit, he was not, however, prepared to recommend the Committee to incur the expense of erecting modern fitted buildings for the despatch of the Company's business on some suitable spot within the Company's reserve somewhat nearer the centre of the town. Further enquiries will shortly be made by the Chief Commissioner who has been instructed to report fully upon the matter, and, in the event of its being found that the business would be improved by the change, he will submit for the consideration of the Board estimates of the cost of new buildings. He has also been instructed to make arrangements as soon as possible for separating the business of the Depot at Fort Garry and the Accounts of the Northern Department, from Red River District, and placing the Depot under the charge of a competent officer, who will also superintend the Accountant's Department under instructions direct from the Board or the Chief Commissioner.

(xxii.)

The Red River Outposts which last year resulted in a loss of \$6,000, now show profits amounting to \$25,000, the improvement as noticed at page 16 of the accompanying Report being most marked at Portage la Prairie.

The Capital employed at these Stations has been considerably reduced during the past Outfit, and it is proposed to withdraw from the posts of Poplar Point and St. Anne's, the Inventories of which at the close of Outfit 1877 amounted to \$38,000.

The Red River Steamers show a profit of \$31,068 in Outfit 1877 as compared with \$21,108 in Outfit 1876. The Company's interest in these boats valued on inventory at \$24,327 will shortly be represented by \$50,000 Stock in the St. Paul and Pacific Railway, possessing a lease of the Pembina Branch, by which through Railway communication is now secured between the United States and St. Boniface, near Fort Garry on the opposite side of the Red River.

SOUTHERN DEPARTMENT.

Abstract of Inventories at the close of Outfit 1877 :—

European Goods	£40,644
Country Produce	5,924
Coasting Vessels	880
Live Stock	1,098
Cash	46
Advances for next Outfit	385
	<u>£48,977</u>

The Inventories at the close of Outfit 1877 show a reduction of about £5,500 as compared with those of the previous Outfit. A large reduction, however, was made in the amount of the supplies from England—£18,795 having been sent in Outfit 1876, and only £9,327 in 1877. A part of this reduction is due to the fact that the post of Brunswick has been transferred to the Montreal Department on account of its being now more easily supplied from that quarter.

The supplies to Brunswick Post in Outfit 1876 amounted to about £1,600. After making allowances for the transfer of that post, the reduction of the shipments to the Southern Department in Outfit 1877 would be about £8,000.

At country valuations the Returns of that Outfit amount to £28,826 as compared with £28,649 in Outfit 1876, leaving out Brunswick Post in both instances. It should be explained that in consequence of a misunderstanding, a portion of the Southern Department Returns for Outfit 1877 has been valued at higher rates than the Returns of the other Departments. In the list sent from London, the column set apart for the finer Furs from Whale River, was adopted for the Returns of the Department. The present valuations in the accounts are therefore higher than those of Outfit 1876, which, if adopted, would give £27,877 for the Returns of Outfit 1877.

At the reduced valuations, viz.:—Ten per cent. under the prices ruling at the Spring Sales of 1878, the Returns of the Southern Department would amount to about £26,000.

The following statement shows the result of trade for the past two Outfits, made up in country valuations.

	OUTFIT 1876.			OUTFIT 1877.		
	RETURNS.	PROFIT.	LOSS.	RETURNS.	PROFIT.	LOSS.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Albany River District	8,233 8 9	3,453 5 6	...	9,787 12 0	5,300 6 0	...
Bupert's River District	8,022 4 2	2,608 0 5	...	9,374 13 5	4,762 6 3	...
Eastmain District	5,990 11 11	1,763 5 2	...	3,103 9 3	178 4 9	...
Moose Factory	2,233 13 1	...	3,717 16 9	2,342 11 11	...	1,053 14 6
New Post	793 14 10	168 10 9	...	867 19 6	194 2 9	...
New Brunswick Post	2,094 7 9	539 13 8	...	...	...	...
Kinogoniasan River District	3,166 6 4	1,149 13 8	...	3,348 17 6	968 11 8	...
General Charges .....	...	...	225 7 1	...	...	148 15 2
Servants .....	...	...	83 12 0	...	...	23 10 6
Schooner "Mink" .....	...	...	267 19 3	...	...	941 3 4
	<u>30,744 6 10</u>	<u>9,622 9 2</u>	<u>4,204 15 1</u>	<u>28,825 3 7</u>	<u>11,393 11 5</u>	<u>1,477 3 6</u>
Southern Department—Apparent Gain ..	...	...	5,327 14 1	...	...	9,916 7 11
			<u>9,622 9 2</u>			<u>11,393 11 5</u>

The actual profit on the trade of the Southern Department in Outfit 1876, was £7,300.

The capital employed in the Department was about £70,000.

The charge for interest, and a proportion of the London expenses, are estimated at about £6,000, so that there was but a small balance of profit from the Department last year.

With a reduction in the expenditure of goods, an improvement in the Country Accounts, and the recent advance in the prices of Furs, the profits on the trade of the Southern Department may be estimated at about £23,000 on Outfit 1877, subject to the charge for interest and London expenses.

Eastmain District shows a great falling off in the quantity of White Foxes, which were very abundant in Outfit 1876.

Mr. Parson in his Report to the Chief Commissioner alludes to some discontent among the Indians at Eastmain, in consequence of their hearing that higher tariff rates had been paid in some neighbouring Districts. The officer in charge was endeavouring to arrange the matter with the Indians of Eastmain District which as a rule has proved a valuable one.

Furs to the amount of £2,342 were traded at Moose Factory Depot and at the increased value of these Returns, the Depot would show little if any loss. General charges at the Factory were £148 in Outfit 1877, as against £221 in Outfit 1876.

With the exception of Outfit 1876 the Southern Department trade has produced a very satisfactory return on the capital employed. The average profits from the Department for Outfits 1870 to 1873 were £36,000. Hitherto there has been no opposition in the Southern Department, and the result of its trade has been mainly affected by the fall in the prices of Furs in Europe. It should, however, be borne in mind that several Districts in the Montreal Department have been maintained for years past at a loss in consequence of the protection which they have afforded to the Southern Department.

The unprofitable posts to which reference has been made, are Bersamis and Mingan, in the Gulf of St. Laurence, and the Districts of Temiscamisque and St. Maurice, which will be noticed under the head of the Montreal Department.

MONTREAL DEPARTMENT.

Abstract of Inventories at the close of Outfit 1877 :—

English Goods	.. .. .	£20,905
Canadian ..	.. .. .	14,252
Live Stock	.. .. .	874
Outstanding Debts	.. .. .	4,214
Cash	.. .. .	575
Buildings and Improvements	.. .. .	2,690
Boats	.. .. .	352
Advances for next Outfit	.. .. .	22,979
		<hr/>
		£66,841

This amount is £10,622 less than that of the Inventories of the Montreal Department at the close of Outfit 1876, which were £7,000 below those of the previous Outfit.

In every item a reduction has been effected during the past year, and in consequence of the close of the business at Fort William in Lake Superior District, the capital employed in the Department will be further curtailed.

Advances for next Outfit include goods purchased in Canada for Districts in the Montreal Department, and also the Northern Department. These goods may either be on hand in Montreal or on the way to their respective destinations.

The following is a list of the outstanding debts at the close of Outfit 1877 :—

Fort William	.. .. .	\$3,662
Michipicoton	.. .. .	815
Temiscamingue	.. .. .	4,382
Ottawa River Outposts	.. .. .	4,037
Saguenay	.. .. .	1,365
Mingan	.. .. .	2,170
Esquimaux Bay	.. .. .	4,817
		<hr/>
		\$21,299

The amount of \$4,500 appears to have been written off for bad debts in Outfit 1877.

Advances to Indians not repaid within an Outfit are not valued in the Accounts.

The shipments from England for the Montreal Department in Outfit 1877 amounted to £9,800, as compared with £14,600 in 1876, and £17,000 in 1875.

In the following statement of the Result of Trade for Outfit 1877, it will be observed that the Returns are valued at \$175,481. If, however, the same valuations were adopted as

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those of the previous year, the amount would be increased to about \$200,000, showing a decline of \$32,000 when compared with the Returns of Outfit 1876.

RESULTS OF TRADE.—MONTREAL DEPARTMENT. OUTFIT 1877.

	Returns.	Profit.	Loss.
Montreal Agency .. .. .	..	..	\$3,772 99
Fort William	\$4,944 25	..	7,933 71
Nipigon	12,301 78	\$1,003 48	..
Michipicoton	23,011 65	6,983 98	..
New Brunswick	8,337 88	1,982 17	..
Lake Huron	15,911 08	..	2,060 63
Abitibi	15,424 58	2,147 93	..
Temiscamique	19,075 04	..	5,738 22
Ottawa River	2,199 39	..	348 04
Saint Maurice	11,889 61	..	6,536 79
Saguenay	3,955 02	..	3,507 62
Bersamis	8,133 27	..	5,891 82
Mingan	10,864 69	..	4,941 43
St. Augustine .. .. .	..	..	1,914 86
Esquimaux Bay	25,622 48	368 34	..
Ungava	13,510 49	4,531 54	..
General Charges .. .. .	..	..	888 92
Interest .. .. .	..	25 92	..
Servants .. .. .	..	..	233 71
	\$175,481 21	17,043 36	43,769 64
Apparent Loss on the transactions of Outfit 1877	..	26,726 28	..
		\$43,769 64	\$43,769 64

The apparent loss of \$26,726 would be reduced to \$1,700 by adopting the valuations of Outfit 1876, the Accounts of which exhibited an apparent loss of \$3,377.

The actual result of the trade of the Montreal Department for that Outfit was a loss of £4,812, besides interest on the Capital, and a proportion of London expenses, estimated together at about £12,000 per annum.

In Outfit 1874 the loss amounted to £1,000.

In Outfit 1875 the loss was £4,500 in addition to interest and London charges. During the last three Outfits the Company have lost about £46,000 by the trade of the Montreal Department.

In Outfit 1877 the result may be expected to show some improvement. A portion of the returns of the Department was sold last autumn, and the remainder at the recent sales. About 25 per cent. should be added to one-half of the valuations given in the Result of Trade, and about 50 per cent. to the remainder in estimating the result of each District separately. The profit on the Department will probably be about £600, as against a loss of £4,800 in Outfit 1876.

In consequence of the large amount of losses which have been sustained at Fort William, Lake Superior, the Company are now withdrawing from that District. Mr. Joseph Hardisty is endeavouring to dispose of the stock on hand, which amounted to \$20,000 at the close of last Outfit and included \$3,600 of outstanding debts, in respect of which some further loss may be sustained. A portion of the debts has already been recovered.

In Outfit 1877 nearly \$3,000 was written off at Fort William for bad debts.

The loss at Lake Huron is accounted for by the unpaid advances to Indians—\$19,000 having been given to them—of which only \$14,000 was received in Furs, leaving a deficiency

of \$5,000. The officer in charge of the District appears to have misunderstood the instructions sent to him last winter to reduce his trading tariff, which he applied to all Furs coming in, while it was not intended to apply to Furs to be delivered by Indians in payment of advances given to them in the previous autumn. Many of the Indians indebted to the Company refused to give in their hunts, which were secured by petty traders. It appears, however, that upon further representations which have been made to the Indians, there is some hope of recovering from them a portion of the advances remaining unpaid.

At Temiscamiqué, also, a portion of the loss is due to unpaid advances to Indians—the amount of these advances being about \$2,000.

Mr. Rankin, the officer of this District, is making every effort to thwart opposition traders and to conciliate the Indians, while at the same time he is endeavouring to restrict advances to them, and if possible put a stop to them altogether.

This District is defending the frontier of the Southern Department, and it is represented that any relaxation of the efforts of the officer in charge would have an injurious effect on the trade of that Department.

St. Maurice District shows an apparent loss of \$6,500 in Outfit 1877 and \$3,700 in 1876.

Mr. Bissett remarks:—

“There has been in this District also a large loss from unpaid Indian advances, principally at the Posts of Coccoocache, where Mr. Robert Skene, the clerk in charge, gave very large credits of which about \$3,500 were not paid, and there was also a loss of about \$1,000 from the same source at the post of Manawan, making together \$4,500. At both these places the persons in charge exceeded their authority in giving such large advances. Mr. Skene's conduct being otherwise unsatisfactory, has been dismissed from the service.”

As regards St. Maurice, the Chief Commissioner remarks:—

“Our greatest danger in this quarter is that of intercourse being opened up with the Indians of Rupert's River, and we must either maintain St. Maurice or resign ourselves to that being accomplished.”

SAGUENAY, BERSAMIS AND MINGAN.

The losses at these posts during the last three Outfits have reached a large amount; they are due to mismanagement and disobedience of instructions on the part of Clerks in charge of the posts who have been dismissed from the service.

Unauthorised advances to the amount of about \$16,000 were made during the last Outfit to Indians, who ultimately refused to give up their hunts, when they found that the Company decided upon discontinuing advances to them.

The business at the Gulf posts of Bersamis and Mingan is now confined to prompt transactions. Mr. Hardisty will take charge of the posts as soon as he can be relieved from Fort William. If the result of the trade proves unsatisfactory after a fair trial, the posts will have to be closed.

The losses of the last few years at the Gulf posts have exceeded the profits derived from the Districts which they have protected in the Southern Department.

Two Districts, New Brunswick and Abitibi, which formerly belonged to the Southern Department, appear in the books of the Montreal Department with apparent profits amounting to \$4,000, which will be considerably augmented by the increase in the sale price of the Returns.

HUDSON'S BAY HOUSE,
April, 1879.

We proceed to notice the general results of the trade of the different Departments for Outfits 1874, 1876 and 1878.

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The Fur Trade
Hudson Bay House
London: 1879

The accompanying Reports upon the Fur Trade Accounts now submitted to the Board, contain various recommendations which have been the subject of correspondence with the Chief Commissioner since we commenced our labours.

The following Resolutions were passed at the last Meeting of the Council of the Northern Department, giving effect to some of these representations:—

"That the attention of Officers is particularly directed to the amount of Goods expended in the Fur Trade, which requires as much consideration as the amount of Returns. It must be apparent that, although the Returns of any particular Outfit may show an increase in quantity, that increase may have been obtained after so much larger an expenditure of Goods, as to leave a result not so favourable as that of other years when the Returns were less in quantity.

"It is necessary that this important feature of the business should be borne in mind, and the fact not lost sight of, that the Trade is more influenced by the quantity of Goods expended in it, than by any other cause, and that if traded too expensively, the larger the amount of the Returns of any one year the heavier must be the loss.

"Officers in charge of Districts are hereby instructed to furnish hereafter along with the Annual Accounts:—

"Statements of the Profits on transactions apart from the Trade of Furs during each Outfit.

"Statements of any expenditure assisting distressed Indians, with full explanations to enable us to present a claim to Government for payment of the same.

"Statements, in detail, of outstanding debts, classified as good, doubtful, and bad, as the case may be. The bad being unvalued, the doubtful at a reduced price, and the good in full."

These Resolutions have been communicated to the various Officers in the service, and the Chief Commissioner has, in conjunction with the Officers in charge of the Saskatchewan and Edmonton Districts, carefully examined the system adopted in valuing outstanding debts, as alluded to in page 2, and found it necessary to alter the scale of reductions in order to have the debts placed on Inventory, as at other places, at fair and reasonable valuations.

We have found in examining the books that the actual charge against each Outfit for bad and doubtful debts is not stated. It would appear that in the ledgers kept at the different Posts, the debts are retained at their full amounts until they are reckoned as irrecoverable, while in the Inventories made up at the close of each Outfit deductions are made in respect of such of them as are considered doubtful and bad. On the one hand, it is contended that by adopting the system of writing off allowances from the individual accounts, to arrive at the charge against each Outfit, the amounts owing in many instances would be overlooked, and difficulties might arise in the event of the ledgers being produced to prove a debt. On the other hand the present system of writing off does not state the charge falling against each Outfit for bad debts. In Outfit 1876, no less a sum than \$54,348 was deducted in the Inventories from the ledger amounts of outstanding debts in the Northern Department, while in a statement subsequently prepared at Fort Garry it was shown that the *actual charge* against Outfit 1876, for bad and doubtful debts in the Northern Department was only \$4,913, the difference being accounted for by previous reductions.

In Outfit 1877, the amount deducted in the Inventories of the Northern Department for bad and doubtful debts is \$28,827, and the Accountant has ascertained, after a protracted examination, that the Outfit has sustained no loss whatever on account of these debts. On the contrary, it appears that the deductions made in Outfit 1876, in respect of the outstanding balances transferred to Outfit 1877, have exceeded the amounts written off at the close of that Outfit by \$809. In future, Officers in charge of Districts should be instructed to report the amount of the loss sustained each Outfit from bad debts, in sending forward their accounts.

We have to draw the attention of the Committee to an important change which is now being made at Fort Garry, as regards the separation of the Dépôt at that place, from the business of Red River District. The change was adopted after full discussion with the Chief Commissioner, and it is alluded to at page 21 of the accompanying Report.

We are of opinion that when the necessary arrangements are completed, and a properly qualified Officer is placed in charge of the business of the Dépôt, and of the accounts of the Northern Department, a more correct and satisfactory system will be adopted, and none of the difficulties alluded to in the Report on the Dépôt and Merchandise Accounts should be experienced.

Upon the subject of these Accounts the Chief Commissioner in a recent letter has given the following explanations:—

"Outfit 1875.—Fort Garry Dépôt and Merchandise Account together showed a profit of \$11,602⁰⁰. The system adopted in separating the Accounts had been only initiated, and from the apparent heavy loss on the Dépôt it was evident that the charges had not been correctly made, and the two accounts were, as explained at the time, merged into one.

Outfit 1876.—Merchandise Account showed a profit of	\$56,326 ⁰⁰ .
Dépôt a loss of	\$3,055 ⁰⁰ .

"The light Loss on the Dépôt Account this Outfit arises from the charge made by it for handling the Importations of the year which amounted to much more than previous years; while, the rate charged in Outfit 1875 having been found insufficient to cover expenses, an increased rate was adopted for Outfit 1876, say 5 per cent., which on the total Importations from London (\$588,844⁰⁰), besides elsewhere, valued at cost landed at Fort Garry, and amounting to \$1,090,237⁰⁰ produced \$54,511⁰⁰, which forms the charge against sundry Accounts in Fort Garry Dépôt Outfit 1876 amounting to \$1,144,748⁰⁰. The larger the Importations from abroad the greater income derived by the Dépôt from the charge of handling. The Sales in Outfit 1876 amounted to a much larger sum than those of Outfit 1877, resulting in a larger margin for profit, while the increased competition in trade, in consequence of the growth of the town of Winnipeg, affected Outfit 1877 injuriously, both as regards prices obtained and quantity of goods sold.

"These explanations are submitted in accounting for the difference between the profit of \$53,000⁰⁰ in 1876, and the loss of \$23,000⁰⁰ in 1877.

"Outfit 1877 —The charge against the Dépôt of \$20,217⁰⁰ for Bills on London was caused by our Cash Balance being low at the time a demand was made on us for freights, and the Bill was given to the Transportation Company at that value instead of cash, and formed a charge for freight similar to the cash entries. Properly speaking, the entry should have read Northern Department Bills for freight, and would then have explained itself.

"In Outfit 1877, when a large portion of the inland supplies was provided by and packed at Fort Garry, at greater expense than would have been the case if done in London, the amount imported from which place was only \$199,605⁰⁰ at London cost and the charge made on goods packed at Fort Garry being only 2½% instead of 5% as in the case of Importations from London, no charge being made on Country Produce supplies, such as Flour and Pemican, the total charge for handling made by the Dépôt amounted only to \$17,474¹⁰ against \$54,511⁷⁰ in 1876, which consequently affected the amount unfavourably, resulting in a loss of \$36,405⁰⁰. The apparent increase in the charge against the Dépôt arises from the fact that at the close of Outfit 1876, the date of taking Inventory was anticipated by three months, to enable the accounts, which had greatly swelled in bulk, to be completed in proper season, thereby resulting in Outfit 1876, as far as Fort Garry was concerned, being shortened to a term of nine months as against twelve months in 1877.

"The Inventories at the close of Outfit 1878, which have been carefully taken, are being now put in shape, and when completed may, perhaps, assist us in discovering any error in the Inventory at the close of Outfit 1877, should such exist."

We cannot say that we consider the foregoing explanations entirely clear or satisfactory, and it would appear that the imperfect mode of keeping these accounts has rendered it impossible to exhibit a thoroughly plain statement of the case, but the reforms introduced ought to preclude any such difficulties in future.

We find that the writing off from the valuations of Ships and Steamers has not been carried out upon a correct principle. The deductions have been made from the reduced valuations instead of from the original cost of the vessels, and it will probably be found that in consequence of this system, the Steamers "Enterprise" and "Otter," and the Ships sailing from London, stand in the books at amounts which exceed their actual worth.

The difficulty now arises that large immediate reductions would affect the Fur Trade profits in a manner not entirely equitable, as new interests arise each Outfit by fresh appointments of officers, but the system ought certainly to be discontinued, and as a preliminary measure the Committee recommend that the percentage should in future be reckoned on the amounts now standing in the books against each Ship, and not on a progressive reduction from these amounts. Statements should at the same time be prepared for submission to the Board, showing the exact position at the present time.

We further recommend that, looking to the terms of the Deed Poll, which provides that no valuation shall be placed on the Company's Posts, stations, or trading establishments, except for actual outlay on account of the trade, expressly sanctioned by the Governor and Committee, repairs to building should in all cases form a charge against revenue and should not, except under special cases of extensions and improvements, be valued upon Inventory.

We recommend also that a Committee be annually appointed to examine and report on the Fur trade accounts of the various Departments.

GEORGE J. GOSCHEN.
JOHN ROSE.
EDWD. HAMILTON.

HUDSON'S BAY HOUSE,
LONDON, July, 1879.